



CITY OF LOS ALAMITOS

June 16, 1978

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MAYOR

Kenneth Zommick

To: Mayor Kenneth Zommick
Members of the City Council

COUNCIL MEMBERS

Barbara M. Audley

Tim Bunner

David A. Lander

Charles E. Sylvia

From: Michael A. Graziano, City Manager

Re: Supplemental 1978-79 Budget Report

CITY MANAGER

Michael A. Graziano

Attached is the so-called Proposition 13 "Jarvis Budget". It is essentially narrative in format and is an adjunct to the basic document distributed to Council earlier this week which assumed no basic change in the property tax laws of the State impacting local government. It is clear, however, that Prop. 13 is going to pass on June 6th. It is equally clear that it will be somewhat disruptive in nature. For example the initiative may cause shifts in taxpayer burdens, reduction in local government services, layoffs of certain public and private sector workers, a potential for increased reliance on alternative taxes for new revenue sources, and uncertainty on the cost of doing business in California. The impact of Proposition 13 on the economic forces of the State and local areas touches the lives of all residents.

It is also clear to me that the existence of Proposition 13 (Jarvis/Gann), as well as Proposition 8 (Behr), indicates strongly that a large portion of California and Orange County voters want lower taxes, particularly property related taxes, and want a reduction in governmental expenditures, although not necessarily a reduction in government services. As you know, to enact Proposition 13, a simple majority vote is needed at the polls. To enact Proposition 8 and the provisions of SB-1 (Behr), a majority vote is required for Proposition 8, and Proposition 13 must be defeated.

Without getting into any further details on the relative merits of these proposed tax measures, it would be appropriate to review the time-sequence-impact of Proposition 13 on Los Alamitos and how this relates to our funding and work program.

The initial impact will not be felt until December 1978, when the first property tax apportionments are due from the County. In addition, because substantial sums have been encumbered in the 1978-79 budget, for future expenditure in future years, Council is not faced with the need to make any immediate changes of a drastic nature other than those adjustments contained in



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this report. Another point to keep in mind is the present uncertainty as to how the State Legislature will define the question of dividing the property tax pie between all competing local taxing entities. Therefore, our analysis of revenue loss in the amount of \$362,000 is our best estimate based on available information at this time. Following is an analysis of our assumptions:

PROPERTY TAX REVENUES - STATUS QUO VS. PROP. 13 - PROJECTIONS
FOR 1978-79

1. Status Quo		
Assessed Valuation	\$54,576,559	
Current Tax Rate	<u>\$.95/\$100.00</u>	
Revenue	\$ 518,477	(A)
2. Prop. 13		
Market Value	\$176,270,384	
County Rate	<u>1%</u>	
	\$ 1,762,703	
City's Portion	<u>.0885</u>	
City's Revenue	\$ 156,000	(B)
3. Net Decrease	\$ 518,000	
	\$ 156,000	
	<u>(\$ 362,000)</u>	

(A) This revenue projection is based on existing property tax laws, a 95¢/\$100.00 of assessed valuation tax rate and a 10% increase in assessed valuation for FY 1978-79.

(B) The forecasted revenue, under Proposition 13, is predicated on the following:

1. A 1% limit of the market value of all real property in Los Alamitos as of 1975-76.
2. The allowable 2% increase in market value in each of the succeeding years (1976-77, 1977-78 & 1978-79).
3. A belief that the City will receive property tax revenues in the proportion that they were levied in 1975-76 (in 1975-76 the County's combined rate was \$10.762/\$100 A.V. with the City's rate of \$.95/\$100 A.V. representing 8.85% of the total).

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Given a small organization such as we have, it is difficult to identify in any measurable degree, functions or services which are not of a basic and essential nature. However, each department was directed to submit a set of recommendations which were felt to be least disruptive in our ability to provide basic public services. The basic parameters assumed no personnel additions and placed emphasis on the following:

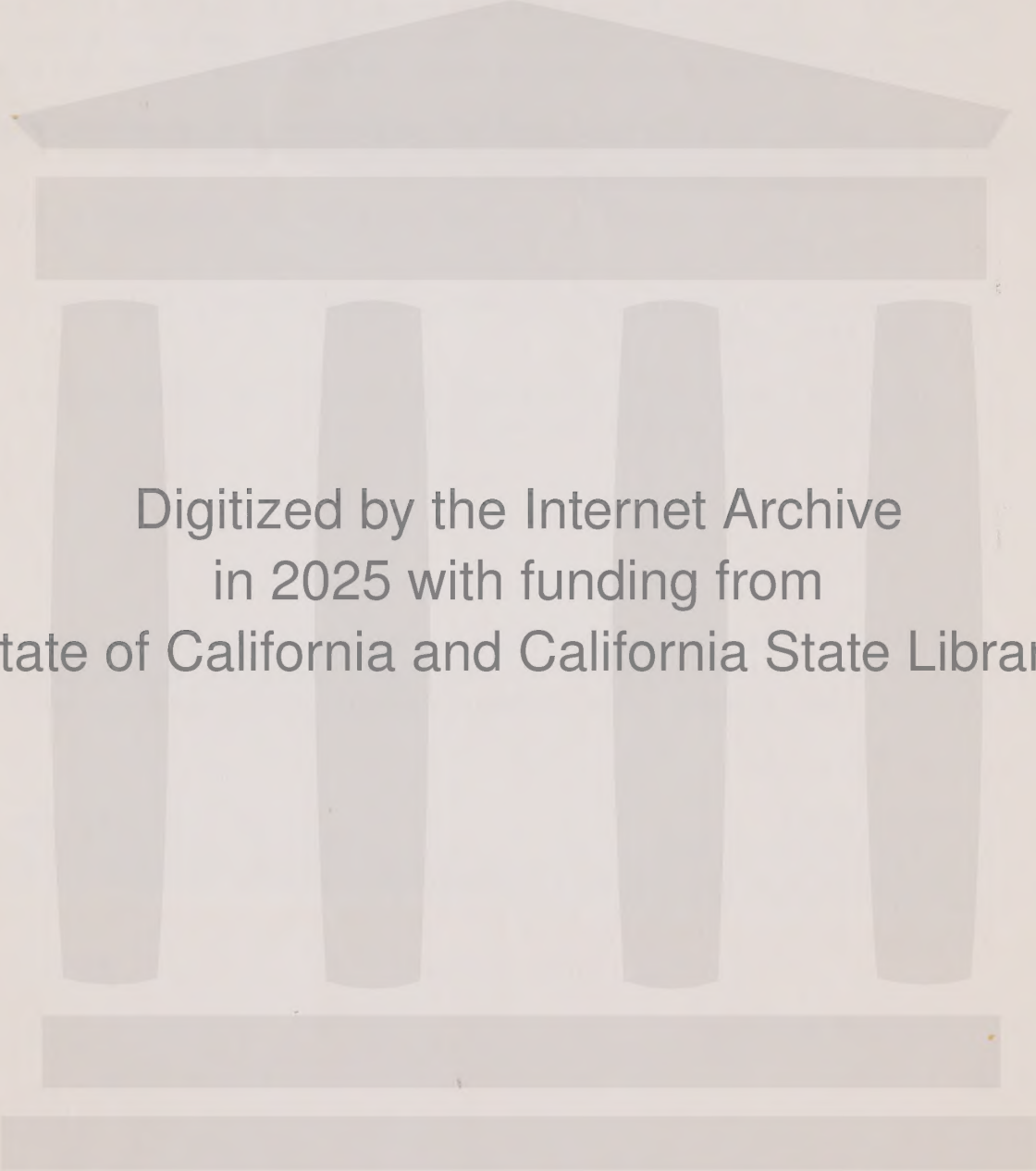
1. Cutbacks in services and/or personnel of a noncritical nature.
2. Deferred maintenance or acquisition of equipment (office, autos, etc.).
3. Cutbacks in special studies, conferences, publications and the like.
4. Deferred capital improvements which are noncritical and which add to operating costs.

As a result of staff suggestions, a consolidated overview set of recommendations has been prepared by the City Manager for Council review and discussion. Details of the proposed adjustments are as follows:

A. Forecasted Revenues

General Fund	\$1,706,980
Traffic Safety Fund	45,000
CETA Fund	121,251
Gas Tax (transfer from reserve)	25,000
Revenue Sharing Transfer	58,914
Operating Funds Total	<u>\$1,957,145</u>

B. Current Budget Request	\$2,124,197
C. Deficit	(\$ 167,052)



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D. Budget Reductions

General Government

City Council	\$ 700
Commissions	2,549
Administration	7,850
Community Promotion	13,500
Non-Departmental	9,450

Sub-total		\$34,049
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Police Services

Additional Personnel	60,000
Crossing Guards	20,000
Capital Outlay	4,300

Sub-total		\$84,300
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Public Services

Equipment Replacement	33,350
Capital Outlay	7,000
Meetings & Memberships	2,075
Professional Services	6,000
Tree Trimming	3,000
Equipment Rental	240

Sub-total		\$51,665
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Recreation

In-School Program	8,547
Gymnasium Supervision	4,300
Tennis Court Attendent	5,000
Sports Programs	4,100
Playground Supervision	8,291
Swim Team	2,000

Sub-total		\$32,238
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Engineering

Sub-total	4,800	\$ 4,800
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Total Cuts		\$207,052
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Deficit		(\$167,052)
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Unappropriated Surplus		\$40,000
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Based on the foregoing breakdown of revenue and expenditure adjustments under Jarvis, it is noteworthy to highlight certain points in this recommended "pro forma".

1. Revenue Sharing - Use of these funds for operating purposes is legally permissible. It is also justifiable inasmuch as we have accrued approximately \$290,000 of which a sufficient portion would continue to be earmarked for future City Yard relocation. In addition, there is every indication that this Federal program will continue into the foreseeable future.
2. Gas Tax - Transfer of \$25,000 from this fund has been done in the past, is permissible under the law, and presents no particular question in terms of cutting out a needed project at this time.
3. New Sources of Revenue - While no new sources of revenue, nor increases in our existing revenue structure, is contemplated, it is worth noting that under Jarvis, the City would not be constrained to increasing a variety of license and permit fees. This could occur at any point in time and might typically include such sources as business licenses, building permits and planning fees. Staff is investigating this matter; however, we have no firm estimates or recommendations at this time.
4. Self-Insurance - Staff has been actively pursuing this concept and in the near future will present for Council consideration, a report and recommendation on modified health self-insurance at a possible savings of \$15,000-\$20,000 per annum. We intend to follow through in the same vein in the area of liability self-insurance (probably in 4-6 months). These two possibilities relate directly to the need for maintaining our General Fund Reserves at an above-average level as the sole source for program implementation.

The proposed budget cuts enumerated above are painful but necessary. We can live with these adjustments for an indefinite period of time so long as we all keep in mind the concept of "belt tightening" as a collective imperative. It only works if all responsible officials are attuned to the demands for additional services that will be most assuredly placed on us by various sectors of the community, both public and private.

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